

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EB-11 FRB-02 TRSE-00 PM-07 L-03 NSC-10

CIAE-00 DODE-00 INR-10 NSAE-00 PA-04 RSC-01 USIA-15

PRS-01 SPC-03 NIC-01 SAJ-01 COME-00 XMB-07 DRC-01

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R 011415Z MAR 74

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 8607

INFO AMEMBASSY BONN

LIMITED OFFICIAL USE BELGRADE 0944

E.O. 11652: N/A

TAGS: EGEN/EFIN, EAID, YO, GW

SUBJ: FRG CREDITS FOR YUGOSLAVIA

REF : BONN 03151, 01755

BELGRADE 5539

SUMMARY. FOREIGN AFFAIRS SECRETARIAT SPOKESMAN HAS ANNOUNCED YUGOSLAV ACCEPTANCE OF FRG CREDIT OF 700 MILLION DM TO BE UTILIZED AS GOY SEES FIT. CREDIT DESCRIBED AS PART OF SETTLEMENT OF OPEN QUESTIONS FROM PAST. END OF SUMMARY.

1. UNDER HEADLINE "THE BONN CREDIT - PART OF LIQUIDATION OF PROBLEMS FROM THE PAST," POLITIKA OF MARCH 1 QUOTES FIRST OFFICIAL ANNOUNCEMENT (BY FOREIGN AFFAIRS SECRETARIAT SPOKESMAN ZUPAN) CONCERNING NEW LOAN FROM FRG.

2. ZUPAN TOLD PRESS THAT FRG AND GOY HAVE REACHED "AGREEMENT IN PRINCIPLE" ON METHODS OF DEALING WITH "PROBLEMS BEQUEATHED FROM PAST," IN ACCORDANCE WITH BRANT-TITO UNDERSTANDING OF LAST YEAR.

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3. IN THAT CONNECTION, ZUPAN STATED GOY HAS ACCEPTED FRG

PROPOSAL GRANTING YUGOSLAVIA 700 MILLION DM CREDIT. "USE OF FUNDS WILL BE RESPONSIBILITY OF GOY AS WAS CASE WITH EARLIER 300 MILLION DM CREDIT," HE ADDED.

R. IN SEPARATE ARTICLE BY BONN CORRESPONDENT, POLITIKA DESCRIBES TERMS OF CREDIT ALONG LINES REPORTED IN BONN 03151, BUT ADDS THAT CAPITAL ASSISTANCE HALF IS INTENDED FOR IMPROVEMENT OF YUGOSLAV ELECTRIC POWER TRANSMISSION NETWORK. AS TO COMMODITY CREDIT HALF, FRG AND GOY WILL NEGOTIATE FURTHER WHETHER OR TO WHAT EXTENT FINANCING IS TO BE TIED TO DELIVERY OF GOODS FROM FRG.

5. FAVORABLE CREDIT SHOULD HAVE "DYNAMIC INFLUENCE" ON FURTHER ADVANCEMENT OF ECONOMIC AND OVERALL RELATIONS WITH FRG, POLITIKA CONCLUDES.

6. COMMENT: IN CONTRAST TO VIEW FROM BONN, YUGOSLAVS CONTINUE TO EMPHASIZE INDEMNIFICATION ASPECT OF FINANCIAL ARRANGEMENT, AND EXTENT OF THEIR FREEDOM OVER ITS UTILIZATION. \$225 MILLION DOLLARS PROGRAM FOR MODERNIZATION OF YUGOSLAV ELECTRIC TRANSMISSION SYSTEM, FOR WHICH GERMANS WILL APPARENTLY CONTRIBUTE ABOUT \$140 MILLION, ALSO BEING FINANCED BY \$75 MILLION WORLD BANK CREDIT. YUGOSLAV ENTERPRISES INDICATE INTEREST IN ACQUIRING AT LEAST PART OF EQUIPMENT FROM US SOURCES.
JOHNSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CREDIT, ECONOMIC COOPERATION, CREDIT AGREEMENTS, INDEMNIFICATION, COMMODITY AGREEMENTS, COMMODITY ASSISTANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 01 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BELGRA00944
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: BELGRADE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740376/aaaacsoy.tel
Line Count: 87
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: BONN 03151, 01755
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 06 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 MAY 2002 by shawdg>; APPROVED <10 JUN 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRG CREDITS FOR YUGOSLAVIA
TAGS: EGEN, EFIN, EAID, YO, GE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005